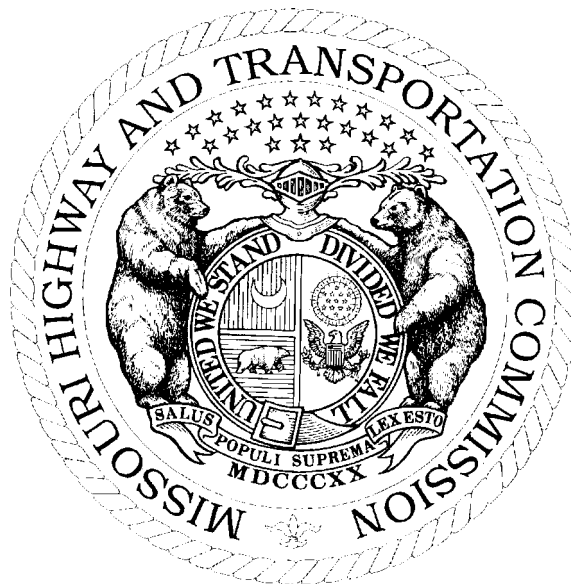


**MISSOURI DEPARTMENT
OF TRANSPORTATION**



Combined Financial Statements and Schedules

June 30, 1999

MISSOURI DEPARTMENT OF TRANSPORTATION

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MISSOURI DEPARTMENT OF TRANSPORTATION

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FINANCIAL SECTION



1000 Walnut, Suite 1600
P.O. Box 13127
Kansas City, MO 64199

Independent Auditors' Report

Missouri Highway and Transportation Commission:

We have audited the combined financial statements of the Missouri Department of Transportation as of and for the year ended June 30, 1999 as listed in the accompanying table of contents. These combined financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

Except as discussed in paragraphs 4 and 5, we conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1, the combined financial statements of the Missouri Department of Transportation are intended to present the financial position and results of operations of only that portion of the financial reporting entity of the State of Missouri that is attributable to the transactions of the Department.

Records for expenditures of \$166,843,000 recorded in the Special Revenue Funds incurred by other state agencies funded by the Department's funds are maintained by other agencies and were not available for audit. Additionally, records supporting claims and judgements payable of \$56,792,000 recorded in the General Long-term Debt Account Group were unavailable and the Department's attorney's response to our request for information was insufficient to provide audit evidence. It was not practicable to extend our auditing procedures sufficiently to satisfy ourselves as to the fairness of the expenditures incurred by other state agencies or the claims and judgements payable.

We were not engaged to audit financial statements supporting the financial activities of the Highway Employees' and Highway Patrol Insurance Plan Internal Service Fund. Those financial activities are included in the Internal Service Funds and represent 8% and 83% of the assets and revenues, respectively, of the Internal Service Fund Type.

Because of the matter discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the Internal Service Funds.



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In our opinion, except for the effects on the combined financial statements of such adjustments, if any, as might have been determined to be necessary had we been able to apply adequate procedures to the expenditures incurred by other state agencies, claims and judgements payable, had we received an adequate response from the Department's attorney, or had the scope of our procedures been sufficient to allow an opinion on the financial statements of the Internal Service Funds, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Missouri Department of Transportation as of June 30, 1999 and the results of its operations and the cash flows of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the combined financial statements of the Department. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements. We do not express an opinion on the information in Schedules 12 through 14 for the reasons stated in paragraphs 5 and 6. In our opinion, except for the effects, if any, of the matters described in paragraph 4, the remaining supplementary information is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

The Year 2000 (Y2K) supplementary information included on pages 35 and 36 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because of the nature of the subject matter underlying the disclosure requirements and because sufficiently specific criteria regarding the matters to be disclosed have not been established. In addition, we do not provide assurance that the Department is or will become Y2K compliant, that the Department's Y2K remediation efforts will be successful in whole or in part, and that parties with which the Department does business are or will become Y2K compliant.

In accordance with *Government Auditing Standards*, we have also provided our report dated October 15, 1999 on our consideration of the Department's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

KPMG LLP

October 15, 1999

MISSOURI DEPARTMENT OF TRANSPORTATION

Combined Balance Sheet – All Fund Types, Account Groups,
and Discretely Presented Component Units

June 30, 1999

	Governmental Fund Types			Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Tot Prim Govern (Memor: Onl
	General	Special Revenue	Capital Projects	Internal Service	Agency Fund	General Fixed Assets	General Long- term Debt	
Assets and Other Debits								
Pooled cash and investments (note 2)	\$ 606,371	20,594,238	67,826,269	23,894,449	—	—	—	112,92
Receivables (note 5)	2,610,347	92,296,408	90,058,561	492,062	—	—	—	185,45
Due from other funds (note 4)	—	—	1,964,171	—	—	—	—	1,96
Due from the Missouri Transportation Finance Corporation	—	400,000	—	—	—	—	—	40
Due from other state agencies	815,779	—	—	—	—	—	—	81
Advances to the Missouri Department of Transportation (the Department)	—	—	—	—	—	—	—	—
Inventories	—	—	37,121,381	—	—	—	—	37,12
Restricted assets (note 2)	—	—	25,787,526	—	34,288,920	—	—	60,07
Fixed assets (note 7)	—	—	—	—	—	517,367,179	—	517,36
Bond issue costs	—	—	—	—	—	—	—	—
Amount to be provided for retirement of long-term debt	—	—	—	—	—	—	150,274,969	150,27
Total assets and other debits	\$ 4,032,497	113,290,646	222,757,908	24,386,511	34,288,920	517,367,179	150,274,969	1,066,39
Liabilities, Equity, and Other Credits								
Accounts payable	\$ 3,293,350	7,437,774	62,739,257	29,308,987	—	—	—	102,77
Article X Hancock refunds (note 10)	—	4,896,715	642,897	—	—	—	—	5,53
Retainages payable	—	—	20,817,092	—	—	—	—	20,81
Due to other funds (note 4)	715,222	—	—	—	1,248,949	—	—	1,96
Due to the Department	—	—	—	—	—	—	—	—
Due to other governments	—	—	—	—	—	—	—	—
Accrued interest payable	—	—	—	—	—	—	—	—
Deferred revenue	—	—	50,666,863	1,335,546	—	—	—	52,00
Bonds payable	—	—	—	—	—	—	—	—
Advances from other governments (note 6)	—	—	—	—	33,039,971	—	2,406,123	35,44
Advances from component units (note 6)	—	—	—	—	—	—	48,387,002	48,38
Certificates of participation (note 6)	—	—	—	—	—	—	1,000,000	1,00
Federal Highway Administration loan (note 6)	—	—	—	—	—	—	15,000,000	15,00
Capital lease obligations (note 6)	—	—	—	—	—	—	2,182,025	2,18
Compensated absences (note 6)	23,925	4,195,030	—	—	—	—	24,507,568	28,72
Claims and judgments payable (note 8)	—	—	—	—	—	—	56,792,251	56,79
Total liabilities	4,032,497	16,529,519	134,866,109	30,644,533	34,288,920	—	150,274,969	370,63
Equity and other credits:								
Investment in general fixed assets	—	—	—	—	—	517,367,179	—	517,36
Contributed capital	—	—	—	210,000	—	—	—	21
Retained deficit	—	—	—	(6,468,022)	—	—	—	(6,46
Fund balances:								
Reserved for inventories	—	—	37,121,381	—	—	—	—	37,12
Unreserved	—	96,761,127	50,770,418	—	—	—	—	147,53
Total equity and other credits	—	96,761,127	87,891,799	(6,258,022)	—	517,367,179	—	695,76
Contingencies and commitments (note 10)	—	—	—	—	—	—	—	—
Total liabilities, equity, and other credits	\$ 4,032,497	113,290,646	222,757,908	24,386,511	34,288,920	517,367,179	150,274,969	1,066,39

MISSOURI DEPARTMENT OF TRANSPORTATION

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances –
General, Special Revenue, and Capital Projects Funds

For the Year Ended June 30, 1999

	Governmental Fund Types			Total Primary Government (Memorandum Only)
	General	Special Revenue	Capital Projects	
Revenues:				
Fuel taxes (note 3)	\$ —	459,222,903	269,112	459,492,015
Licenses, fees, and permits	—	155,538,227	88,389,862	243,928,089
Vehicles sales and use taxes (note 3)	—	37,570,405	117,045,772	154,616,177
Investment and interest	—	3,461,283	5,883,484	9,344,767
Incidentals	—	692,487	47,455,271	48,147,758
Appropriations	9,840,603	8,367,977	221,349	18,429,929
Federal Highway Administrator	31,055,028	—	438,682,563	469,737,591
Total revenues	<u>40,895,631</u>	<u>664,853,282</u>	<u>697,947,413</u>	<u>1,403,696,326</u>
Expenditures:				
Administration	—	16,093,848	19,841,069	35,934,917
Highway construction	19,091	92,649,921	704,031,163	796,700,175
Maintenance	—	108,598,930	91,762,957	200,361,887
Logo	—	—	1,253,880	1,253,880
Multimodal	40,404,166	9,840,205	—	50,244,371
Third state building fund	143,186	—	296,376	439,562
Mississippi parkway commission	22,498	—	2,876	25,374
Contractual agreement interest expense	—	—	1,516,160	1,516,160
Miscellaneous expenses	—	14,942	8,922,619	8,937,561
Capital outlay	—	691,026	47,369,596	48,060,622
Fleet expense-operational cost	—	443	15,319,903	15,320,346
State contributions	239,436	71,070,876	44,838	71,355,150
OASDHI – employers match	67,254	15,964,552	9,137	16,040,943
Hancock refund (note 10)	—	4,896,715	642,897	5,539,612
Other governmental expenditures	—	166,842,963	466	166,843,429
Total expenditures	<u>40,895,631</u>	<u>486,664,421</u>	<u>891,013,937</u>	<u>1,418,573,989</u>
Excess of revenues over (under) expenditures	<u>—</u>	<u>178,188,861</u>	<u>(193,066,524)</u>	<u>(14,877,663)</u>
Other financing sources (uses):				
Loan proceeds	—	—	16,227,609	16,227,609
Operating transfers from other funds (note 4)	—	—	167,334,122	167,334,122
Operating transfers to other funds (note 4)	—	(167,334,122)	—	(167,334,122)
Total other financing sources (uses)	<u>—</u>	<u>(167,334,122)</u>	<u>183,561,731</u>	<u>16,227,609</u>
Excess revenues and other sources over (under) expenditures and other uses	<u>—</u>	<u>10,854,739</u>	<u>(9,504,793)</u>	<u>1,349,946</u>
Fund balance, beginning of year	<u>—</u>	<u>85,906,388</u>	<u>97,396,592</u>	<u>183,302,980</u>
Fund balance, end of year	<u>\$ —</u>	<u>96,761,127</u>	<u>87,891,799</u>	<u>184,652,926</u>

See accompanying notes to financial statements.

MISSOURI DEPARTMENT OF TRANSPORTATION

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual – General, Special Revenue, and Capital Projects Funds

For the Year Ended June 30, 1999

	General Fund		Special Revenue		Capital Projects	
	Budget	Actual	Budget	Actual	Budget	Actual
Revenues:						
Fuel taxes	\$ —	—	487,474,801	455,944,529	273,000	271,870
Licenses, fees, and permits	—	—	150,386,000	153,668,202	81,614,000	81,989,783
Vehicles sales and use taxes	—	—	38,881,367	37,550,157	119,165,000	115,743,772
Interest	—	—	2,283,188	3,008,454	3,780,000	6,187,031
Incidentals	—	—	10,959,710	4,531,289	25,108,000	47,531,832
Appropriations	15,058,925	12,307,752	10,245,875	10,245,875	417,381	221,348
Federal Highway Administrator	24,844,177	28,055,413	—	—	612,993,000	441,280,100
Local match	2,224,198	2,224,198	—	—	—	—
Total revenues	42,127,300	42,587,363	700,230,941	664,948,506	843,350,381	693,225,736
Expenditures:						
Personal services	1,014,643	910,392	291,956,313	260,775,978	151,069	151,055
Expense and equipment	696,396	166,284	23,719,353	21,577,421	152,753,230	136,139,824
Reimbursements to other funds	112,510	107,849	29,731	27,805	—	—
Mississippi River Parkway Commission	22,500	22,498	—	—	—	—
Expansion of Vivion Road	287,788	155,398	—	—	—	—
Holt, Missouri Bridge	400,000	19,091	—	—	—	—
Improvements to Highway 63 and 32 at Licking	200,000	—	—	—	—	—
Transit program	24,466,636	20,653,319	8,367,977	6,050,282	—	—
Amtrak	4,570,501	4,251,892	975,000	940,294	—	—
Waterways program	1,394,987	824,505	—	—	—	—
Aviation	11,000,000	9,866,844	747,801	486,552	—	—
Airfields	1,376,327	1,045,533	—	—	—	—
Buildings	—	—	16,989,910	2,207,153	—	—
Construction and maintenance	—	—	—	—	762,600,053	720,353,390
Transportation Enhancement Program	—	—	—	—	8,200,000	5,722,710
Highway purposes	—	—	—	—	85,547	85,547
Nonhighway purposes	—	—	—	—	1	—
South Riverfront Expressway	—	—	—	—	151,833	135,801
Intersection of Route 291 and Route 150	—	—	—	—	180,000	—
State Transportation Assistance Revolving Fund	—	—	1,715,000	300,000	—	—
Article X Hancock refunds	—	—	6,430,544	6,430,544	518,053	518,053
The Department fringe benefit transfers	152,477	152,477	16,281,884	16,281,884	1,253,227	1,253,227
Appropriations spent by other state agencies	—	—	178,173,552	160,840,693	—	—
Expenditures in 1999 charged to 1998 appropriations	4,190,626	4,190,626	9,032,184	9,032,184	10,433,849	10,433,849
Total expenditures	49,885,391	42,366,708	554,419,249	484,950,790	936,326,862	874,793,456
Excess of revenues over (under) expenditures	\$ (7,758,091)	220,655	145,811,692	179,997,716	(92,976,481)	(181,567,720)
Other financing sources (uses):						
Proceeds from innovative financing	—	—	—	—	—	3,883,913
Operating transfers from other funds	—	—	—	—	—	167,334,122
Operating transfers to other funds	—	—	—	(167,334,122)	—	—
Total other financing sources (uses)	—	—	—	(167,334,122)	—	171,218,035
Excess revenues and other sources over (under) expenditures and other uses	—	220,655	—	12,663,594	—	(10,349,685)
Fund balance, beginning of year	—	385,716	—	7,310,458	—	99,589,802
Fund balance, end of year	—	\$ 606,371	—	19,974,052	—	89,240,117

MISSOURI DEPARTMENT OF TRANSPORTATION

Combined Statement of Revenues, Expenses, and Changes in
Retained Earnings – Internal Service Funds and
Discretely Presented Component Units

For the Year Ended June 30, 1999

	<u>Internal Service</u>	<u>Component Units</u>
Operating revenues:		
Insurance premiums:		
Highway workers' compensation	\$ 5,125,230	—
Highway patrol workers' compensation	817,889	—
Highway automobile liability	1,135,508	—
Contributions:		
State	22,009,251	—
Member	14,391,154	—
Interest income	—	1,623,204
Taxes	—	4,098,789
Other	<u>251,351</u>	<u>4,926</u>
Total operating revenues	<u>43,730,383</u>	<u>5,726,919</u>
Operating expenses:		
Program	889,857	—
Self-insurance claims:		
Highway workers' compensation	5,645,053	—
Highway patrol workers' compensation	1,684,522	—
Highway automobile liability	1,120,552	—
Highway general liability	2,500,769	—
Medical and life:		
Insurance premium	5,766,243	—
Claims	31,227,286	—
Administrative service	1,682,539	—
Prescription drugs	8,451,389	—
Professional fees	49,958	—
Other	31,513	—
Capital outlays	—	252,785
Loan loss reserve	—	106,460
Other	<u>—</u>	<u>151,780</u>
Total operating expenses	<u>59,049,681</u>	<u>511,025</u>
Operating income (loss)	<u>(15,319,298)</u>	<u>5,215,894</u>
Nonoperating revenues:		
Interest income	1,471,974	1,941,958
Interest expense	—	(2,333,689)
Federal grant	—	8,258,881
State grant	—	2,000,000
Net decrease in fair value of investments	<u>(19,208)</u>	<u>—</u>
Total nonoperating revenues	<u>1,452,766</u>	<u>9,867,150</u>
Income (loss)	(13,866,532)	15,083,044
Retained earnings at beginning of year	<u>7,398,510</u>	<u>43,017,801</u>
Retained earnings at end of year	<u>\$ (6,468,022)</u>	<u>58,100,845</u>

See accompanying notes to combined financial statements.

MISSOURI DEPARTMENT OF TRANSPORTATION

Combined Statement of Cash Flows – Internal Service Funds
and Discretely Presented Component Units

For the Year Ended June 30, 1999

	<u>Internal Service</u>	<u>Component Units</u>
Cash flows from operating activities:		
Operating (loss) income	\$ (15,319,298)	5,215,894
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:		
Loan loss reserve	—	106,460
Due to the Department	—	(1,627,613)
Due from the Department	—	31,380,676
Bond issue cost	—	82,270
Interest receivable	—	(122,571)
Increase in due to other governments	—	—
Increase in accounts payable	2,719,009	—
Increase in contribution receivable	(59,671)	—
Increase in other receivable	(108,549)	—
Increase in deferred revenue	167,048	—
Net cash (used in) provided by operating activities	<u>(12,601,461)</u>	<u>35,035,116</u>
Cash flows from noncapital and related financing activities		
Federal grant	—	8,258,881
State grant	—	2,000,000
Interest paid	—	(9,307)
Net cash provided by noncapital and related financing activities	<u>—</u>	<u>10,249,574</u>
Cash flows from investing activities:		
Loans disbursed	—	(10,646,000)
Sale of investments	33,575,814	2,780,011,847
Purchase of investments	(33,887,881)	(2,801,451,551)
Interest on investments	1,533,520	1,941,958
Purchase of property and equipment	—	(11,623,943)
Net cash provided by (used in) investing activities	<u>1,221,453</u>	<u>(41,767,689)</u>
Net increase (decrease) in cash and cash equivalents	(11,380,008)	3,517,001
Cash and cash equivalents at beginning of year	<u>35,274,457</u>	<u>15,615,203</u>
Cash and cash equivalents at end of year	<u>\$ 23,894,449</u>	<u>19,132,204</u>
Cash	\$ —	916,580
Repurchase agreements	<u>23,894,449</u>	<u>18,215,624</u>
	<u>\$ 23,894,449</u>	<u>19,132,204</u>

See accompanying notes to combined financial statements.

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Combined Financial Statements

June 30, 1999

(1) Summary of Significant Accounting Policies

The State Highway Department was created in 1913 to act as the state's agent for public roads. The State Highway Commission was created in 1921 with the passage of the Centennial Road Law and was charged with the administration of the network of connecting state highways, including their location, design, construction, and maintenance.

In 1979, the State of Missouri passed a constitutional amendment merging the State Highway Department with the Department of Transportation (the Department). This constitutional amendment gave a newly created Highway and Transportation Commission (the Commission) the authority over all state transportation programs and facilities. The Commission is a bipartisan body of six members appointed by the Governor with the consent of the Senate for a term of six years.

These combined financial statements present only selected data for each fund of the Department. Certain funds included in these combined financial statements do not represent all of the fund's activity as discussed in note 1(B). Therefore, expenditures presented for the fund or any program may not reflect the total cost of the related activity. Other direct and indirect costs provided by the Department and other state agencies are not allocated to the fund or applicable program.

A. Financial Reporting Entity

The combined balance sheet presents the Department and its component units, entities for which the Department is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the combined financial statements to emphasize it is legally separate from the Department.

The Commission may impose its will on the Missouri Transportation Finance Corporation (MTFC). MTFC was created by the Commission under the Missouri General Not-for-Profit Corporation Law, Chapter 355 of the Revised Statutes of Missouri, to provide financing and other assistance to public and private entities for highway and transportation projects in the State of Missouri. The MTFC Board of Commissioners consists of two Highway and Transportation Commissioners, three Department of Transportation employees by virtue of their job position, and two members from the general public. Because five of seven MTFC commissioners are also associated with decision-making for the operations of the Department, the Department has significant influence over the activities performed by MTFC. Copies of the MTFC financial statements can be requested from:

Missouri Transportation Finance Corporation
P.O. Box 270
Jefferson City, Missouri 65102
(573) 526-2561

The Springfield, Missouri State Highway Improvement Corporation, the Highway 179 Transportation Corporation, the 210 Highway Transportation Development District, the Highway K Transportation Corporation, the Highway 19 Missouri River Bridge Transportation Corporation and the Fulton 54 Transportation Corporation (the Corporations) are not-for-profit corporations organized under the Missouri Transportation Corporation Act. They are authorized to issue revenue bonds for the purpose of paying all or any part of the cost of paving, grading, constructing, expanding, improving, or financing any facility constituting a

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Combined Financial Statements

June 30, 1999

“project” under the Missouri Transportation Corporation Act. Their governing bodies consist of a Board of Directors that is appointed by the Commission. When the purposes for which the Corporations were formed have been complied with and all obligations have been paid, each board shall, with the approval of the Commission, dissolve the Corporations. Upon dissolution, any assets of the Corporations will be liquidated and deposited in the State Road Fund and will become the property of the Commission. The Highway K Transportation Corporation, the Highway 19 Missouri River Bridge Transportation Corporation, and the Fulton 54 Transportation Corporation had no financial activity to report for their most recent year-end. Copies of the remaining Corporations’ financial statements can be requested from:

Springfield, Missouri State Highway Improvement Corporation
840 Boonville
Springfield, Missouri 65801

Highway 179 Transportation Corporation
320 E. McCarty
Jefferson City, Missouri 65101

210 Highway Transportation Development District
2345 Grand Boulevard Suite 2100
Kansas City , Missouri 64108

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Combined Financial Statements

June 30, 1999

Summarized financial information for the discretely presented component units:

Funds	Springfield, Missouri State Improvement Corporation	Missouri Transportation Finance Corporation	210 Highway Transportation Development District	Highway 179 Transportation Corporation	Total
Assets:					
Current assets	\$ 5,052,422	3,958,556	28,978	4,863,108	13,903,064
Fixed assets	11,371,158	—	252,785	—	11,623,943
Other assets	11,852,946	47,575,115	—	31,380,676	90,808,737
Total assets	\$ 28,276,526	51,533,671	281,763	36,243,784	116,335,744
Liabilities:					
Current liabilities	\$ 227,151	—	—	348,465	575,616
Bonds payable	16,276,000	—	—	22,930,000	39,206,000
Due to other governments	2,552,684	—	—	—	2,552,684
Due to the Department	1,344,000	422,244	—	—	1,766,244
Total liabilities	20,399,835	422,244	—	23,278,465	44,100,544
Contributed capital	—	—	—	14,134,355	14,134,355
Retained earnings (deficit)	7,876,691	51,111,427	281,763	(1,169,036)	58,100,845
Total liabilities and equity	\$ 28,276,526	51,533,671	281,763	36,243,784	116,335,744
Operating revenue	\$ 3,748,246	1,628,130	350,543	—	5,726,919
Operating expenses	16,927	157,904	336,194	—	511,025
Operating income	3,731,319	1,470,226	14,349	—	5,215,894
Nonoperating revenues	1,273,909	10,686,725	2,129	238,076	12,200,839
Nonoperating expenses	917,270	9,307	—	1,407,112	2,333,689
Net income (loss)	\$ 4,087,958	12,147,644	16,478	(1,169,036)	15,083,044

B. Basis of Presentation and Fund Structure

The accounts of the Department are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. Account groups are a reporting device to account for certain assets and liabilities of each fund not directly in those funds.

The Department has the following fund types and account groups.

MISSOURI DEPARTMENT OF TRANSPORTATION

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Governmental Funds are used to account for the department's general government activities. Governmental Fund Types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Department considers all revenues available if they are collected within sixty days after year-end. Unmatured interest payable on general long-term debt is recognized when due and certain compensated absences are recognized when the obligations are expected to be liquidated with expendable available financial resources and claims and judgments related to workers' compensation, vehicle liabilities, and general liabilities are recorded when known and unreported claims are recorded from actuarial data. Significant revenues susceptible to accrual include interest, taxes, and federal grants.

Governmental Fund Types used by the Department are:

- *General Fund*: The General Fund accounts for ordinary operations financed by legislative-approved appropriations from general revenues and used for general governmental purposes. Only appropriations to the Department from the General Fund are presented in the combined financial statements.
- *Special Revenue Funds*: These funds are established to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditure for specified purposes. The State Highway and Transportation Department Fund, State Transportation Fund, Aviation Trust Fund, and the State Transportation Assistance Revolving Fund are considered Special Revenue Funds.
- *Capital Projects Funds*: These funds are established to account for major capital expenditures. The State Road Fund is considered a Capital Projects Fund. All transactions recorded in the State Road Fund are presented in the combined financial statements. Additionally, the Department receives appropriations from the Third State Building Trust Fund. These appropriations are included in the Capital Projects Funds.

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Proprietary Funds: These funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In reporting the financial activity of its Proprietary Funds, the Department applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure. Proprietary Funds include the following fund type:

- *Internal Service Funds:* These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost reimbursement basis. The Internal Service Funds include the Self-Insurance Fund and the Highway Employees' and Highway Patrol Insurance Plan Fund.
 - *Highway Employees' and Highway Patrol Insurance Plan Fund:* This fund accounts for the medical coverage provided on a self-insured basis and death benefit to Department employees and members of the Missouri State Highway Patrol. Changes to the Plan are required to be approved by the Commission. The Highway Employees' and Highway Patrol Insurance Plan Fund is audited by the State Auditor whose audit is currently in process.
 - *Self-Insurance Fund:* This fund accounts for highway and highway patrol monies used to pay workers' compensation claims. Monies are also used to pay automobile and general liability claims against the Department. Under RSMo. Chapter 287, the Department is required to establish an escrow agreement in the amount of \$200,000 to operate as a self-insurer. The Department is in compliance with this requirement and maintains contributed capital in the amount of \$210,000 in an escrow account funded by a contribution from the State Highway and Transportation Department Fund.

Fiduciary Funds: These funds which include Agency Funds, Non-Expendable Trust Funds, Expendable Trust Funds, and Pension Funds, account for assets held by the Department in a trustee capacity or as an agent for individuals, other governments, or other funds. The Local Fund is a Fiduciary Fund, which accounts for money received by the Department from various political subdivisions and other interested parties. This fund is segregated in its own bank account and used to reimburse Department funds for expenditures incurred by the Department on behalf of the political subdivision or other interested parties.

In addition to the Governmental, Proprietary Funds, and Fiduciary Funds the Department also maintains two account groups as described below:

- *General Fixed Assets Account Group:* This is not a fund but rather an account group that is used to account for general fixed assets acquired through Governmental Fund Types. General fixed assets do not represent financial resources available for appropriation or expenditure.
- *General Long-term Debt Account Group:* This accounts for general long-term debt and other long-term liabilities relating to Governmental Fund Types. Long-term debt and

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Notes to Combined Financial Statements

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liabilities include contracts, certificates of participation, compensated absences, and claims and judgments.

C. Fixed Assets

Fixed assets owned by the Department are stated at cost. Additions, improvements, and expenditures that significantly extend the useful life of an asset are capitalized. Fixed assets recorded in the General Fixed Assets Account Group are not depreciated.

Public domain (infrastructure) general fixed assets (e.g., roads, bridges, and other assets that are immovable and of value only to the government) are not capitalized.

D. Reservations of Fund Equity

The unreserved fund balances for Governmental Funds represent the amount available for budgeting future operations. A portion of the fund equity has been earmarked (e.g., reserved for inventory) to indicate it cannot be used for expenditure of current resources in Governmental Fund Types.

E. Compensated Absences

Under the terms of the Department's personnel policy, Department employees are granted ten to fourteen hours of vacation per month. Additionally, employees can accrue a maximum of 240 hours of compensatory time for unpaid overtime. Employees had accrued vacation and compensatory time available amounting to \$28,726,523, of which \$23,925 and \$4,195,030 are included as liabilities in the General Fund and State Highway and Transportation Department Fund, respectively, and the remainder recorded as a liability in the General Long-term Debt Account Group. Employees are not paid for accumulated sick leave upon retirement or termination.

F. Budgetary Principles and Presentation

The combined statement of revenues, expenditures, and changes in fund balances is presented on the Department's budgetary basis of accounting. Under this basis, revenues are recognized when cash is received and expenditures are recognized for cash disbursements during the period for fiscal year 1999 and 1998 appropriations. The Department's budgetary basis is different from the state's legal budgetary basis of accounting, which recognizes expenditures on the encumbrance method. Expenditures on the budget basis include amounts payable or encumbered at June 30 and paid during the lapse period, which ended August 31 for regular appropriations and December 31 for capital improvement appropriations. The Department is prohibited from incurring expenditures greater than appropriations without amendment. Amendments to the budget require approval by the Governor.

The Department prepares an annual budget for all funds except for the Self-Insurance Fund, the Highway Employees' and Highway Patrol Insurance Plan Fund, and the Local Fiduciary Fund. The Department's budget is prepared on a modified cash basis. The budget includes expenditures incurred during the fiscal year and during the lapse period. The accompanying Combined Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual presents expenditures incurred during fiscal year 1999 that relate to fiscal year 1998 as

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Combined Financial Statements

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a separate line item without corresponding budget authorization because the authorization was included in prior budgets. Expenditures incurred during the period of July 1, 1999 to December 31, 1999 have not been included in the accompanying combined financial statements. The inclusion of those expenditures may ultimately affect the Department's compliance with budgetary requirements.

Appropriations lapse at the end of the eighteenth month except for appropriations to the State Road Fund which are constitutionally authorized to be expended without legislative action.

The Department develops its budget through processes involving each of its ten local districts. The initial budget is sent to the Office of Administration (OA) on October 1st. The Department finalizes the budget based on feedback received and presents the budget at the first Commission meeting in November. The approved budget is then submitted to OA which in turn forwards the budget to the Governor's office. The Governor develops a recommendation regarding the approved budget and forwards both the budget and the recommendation to the Legislature. The Legislature generally acts on budget matters during January.

The following is a reconciliation to the difference between the Department's budgetary basis and actual:

	General Fund	Special Revenue Funds	Capital Projects Funds
Fund balance, budgetary basis	\$ 606,371	19,974,052	89,240,117
Receivables	2,610,347	92,296,408	90,047,030
Due from other funds	—	—	1,964,171
Due from other state agencies	815,779	—	—
Due from MTFC	—	400,000	—
Inventories	—	—	37,121,381
Accounts payable	(3,293,350)	(7,437,774)	(62,739,257)
Article X Hancock refunds	—	(4,896,715)	(642,897)
Retainages payable	—	—	(20,817,092)
Deferred revenue	—	—	(50,655,332)
Due to other funds	(715,222)	—	—
Compensated absences	(23,925)	(4,195,030)	—
Investment market value adjustment	—	620,186	4,373,678
Fund balance, actual general accepted accounting principles (GAAP) basis \$	<u>—</u>	<u>96,761,127</u>	<u>87,891,799</u>

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G. Deferred Revenue

The Department has recorded deferred revenue in the State Road Capital Projects Fund relating to money received from political subdivisions or other interested parties advanced to the Department for costs of construction to be incurred by the Department on the political subdivision or interested parties' behalf. The revenue is recognized when the related work is performed.

H. Use of Estimates

The preparation of combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combined financial statements including accrued liabilities for compensated absences and claims and judgments. Actual results could differ from those estimates.

I. Memorandum Only Total Columns

Total columns on the general purpose financial statements are captioned "memorandum only" to indicate they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations, or cash flows in accordance with GAAP. Interfund eliminations have not been made in aggregation of these data.

J. Statement of Cash Flows

Pooled cash and cash equivalents include cash and repurchase agreements.

K. Related Party Transactions

The Department sells petroleum products to various other state agencies. Significant sales related to the Missouri Highway Patrol were \$836,372 during the fiscal year.

L. Related Organizations

The KCT Intermodal Transportation Corporation (KCT-ITC) and the Lake of the Ozarks Community Bridge Corporation (Bridge Corporation) are not-for-profit corporations organized under the Missouri Transportation Corporation Act. KCT-ITC is authorized to issue revenue bonds for the purpose of paying all or any part of the cost of constructing a railroad bridge to effectuate a grade separation of three at-grade rail crossings in the Blue Valley Industrial District in Kansas City, Missouri. The Bridge Corporation is authorized to issue revenue bonds for the purpose of paying all or any part of the cost of the acquisition and construction of a toll bridge over the Lake of the Ozarks in Camden County. Governing bodies consist of boards of directors appointed by the Commission. Copies of the financial statements can be requested from:

KCT Intermodal Transportation Corporation
2345 Grand Boulevard, Suite 2500
Kansas City, Missouri 64108

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Lake of the Ozarks Community Bridge Corporation
401 Cliffside Centre
Lake Ozark, Missouri 65049

The KCT-ITC's obligations are financed by a cost sharing agreement of the member railroads of Kansas City Terminal. The Commission has no control over toll rates or corporation management and does not approve any debt of the KCT-ITC. Therefore, the Commission is not considered financially accountable and information for the KCT-ITC is not included within the accompanying financial statements.

The Bridge Corporation's obligations are financed by toll revenue. The Commission has no control over toll rates or corporation management and does not approve any debt of the Bridge Corporation. Therefore, the Commission is not considered financially accountable and financial information for the Bridge Corporation is not included within the accompanying financial statements.

M. Inventories

Inventories are valued at cost using the weighted average method. The costs of Governmental Fund Type inventories are recorded as expenditures when consumed rather than when purchased.

(2) Cash and Investments

Missouri Statute 30.270.2 RSMo. 1994 authorizes the Department, with certain restrictions, to deposit funds in open accounts, time deposits, certificates of deposit, repurchase agreements, and United States treasury bills and notes. Statutes also require collateral pledged have a fair market value equal to 100% of the funds on deposit, less insured amounts, and the underlying investments must be assigned for the benefit of the Department. Collateral securities must be held by the Department or an independent third-party and must be of the kind prescribed by State Statutes and approved by the State Treasurer of Missouri.

Pooled cash and investments include amounts pooled in the State Treasury. Interest income earned on cash and investments pooled in the State Treasury is allocated to the funds based on the respective investment and cash balances in the Special Revenue Funds and in the State Road Capital Projects Fund. The remaining funds do not earn interest.

Repurchase agreements of \$58,178,609 are held by the dealer bank's trust department in the Department's name.

At June 30, 1999, the carrying value and bank balance of the Department's deposits was \$4,760. The entire deposit was covered by federal depository insurance. Interest income is allocated to the funds based on the respective investment and cash balances in the Special Revenue Funds and in the State Road Capital Projects Fund. The remaining funds do not earn interest.

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Notes to Combined Financial Statements

June 30, 1999

At June 30, 1999, the Department's deposits and investments consist of the following:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Proprietary</u>	<u>Agency</u>
Pooled cash and investments:					
Cash and investments pooled in the State Treasury	\$ 606,371	20,594,238	67,826,269	—	—
Repurchase agreements	—	—	—	23,894,449	—
	<u>\$ 606,371</u>	<u>20,594,238</u>	<u>67,826,269</u>	<u>23,894,449</u>	<u>—</u>
Interest receivable	<u>\$ —</u>	<u>547,008</u>	<u>2,043,618</u>	<u>271,165</u>	<u>—</u>
Restricted assets:					
Cash and investments pooled in the State Treasury	\$ —	—	25,787,526	—	—
Cash deposited with banks	—	—	—	—	4,760
Repurchase agreements	—	—	—	—	34,284,160
	<u>\$ —</u>	<u>—</u>	<u>25,787,526</u>	<u>—</u>	<u>34,288,920</u>

(3) Taxes

Tax revenues for the year were as follows:

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Fuel tax	\$ 459,222,903	269,112	459,492,015
Vehicle sales and use tax	<u>37,570,405</u>	<u>117,045,772</u>	<u>154,616,177</u>
	<u>\$ 496,793,308</u>	<u>117,314,884</u>	<u>614,108,192</u>

Taxes are remitted by the Missouri Department of Revenue to the Department subsequent to collection. The Department receives the following taxes:

- *Fuel tax* is paid on the sale of gasoline, aviation fuel used in propelling aircraft with reciprocating engines, and special fuel (primarily diesel fuel and liquefied petroleum gas) authorized by Sections 142.010 – 142.350; 155.080 and 155.090; and 142.362 – 142.621, RSMo., respectively. The tax rate on gasoline is \$.17 per gallon. The Department receives 75% of the first \$.11 and 70% of the next \$.06. The remaining tax is distributed to cities and counties. The tax rate on aviation fuel is \$.09 per gallon and on special fuels is \$.17 per gallon.

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- *Vehicle sales and use taxes* are paid on the purchase of any new or used motor vehicle or trailer and on vehicles purchased out of state and titled in Missouri or a tax on the sale of a vehicle between individuals within Missouri. The taxes are authorized by Sections 144.070 and 144.440, RSMo., respectively. The general sales tax rate is 3% and Proposition C tax (RSMo. 144.701) is 1% for a total of 4%. Of the 4%, the Department receives 75% of 50% of the tax. The remaining 25% is distributed to cities and counties. The Department receives 100% of the 3% general use tax and 75% of the Proposition C use tax and the other 25% is distributed to cities and counties.

(4) Interfund Transactions

Operating transfers for the year are:

		<u>Transfers In</u>	<u>Transfers Out</u>
State Highway and Transportation Department Fund	\$	—	167,334,122
State Road Fund		<u>167,334,122</u>	<u>—</u>
	\$	<u><u>167,334,122</u></u>	<u><u>167,334,122</u></u>

Amounts due to/from other funds at year-end were as follows:

		<u>Due From</u>	<u>Due To</u>
General Fund	\$	715,222	—
State Road Capital Projects Fund		—	1,964,171
Local Agency Fund		<u>1,248,949</u>	<u>—</u>
	\$	<u><u>1,964,171</u></u>	<u><u>1,964,171</u></u>

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Notes to Combined Financial Statements

June 30, 1999

(5) Receivables

Receivables at June 30, 1999 were as follows:

Type	General	Special Revenue	Capital Projects	Internal Service	Subtotal	Component Unit
Federal government	\$ 2,610,347	—	29,402,799	—	32,013,146	—
Taxes	—	91,182,725	19,468,033	—	110,650,758	—
Fees	—	—	6,194,898	—	6,194,898	—
Reimbursements	—	—	30,467,274	—	30,467,274	—
Interest	—	547,008	2,043,618	271,165	2,861,791	771,383
Contributions	—	—	—	220,897	220,897	—
Notes	—	566,675	—	—	566,675	11,160,618
Property damage	—	—	2,481,939	—	2,481,939	—
Total	<u>\$ 2,610,347</u>	<u>92,296,408</u>	<u>90,058,561</u>	<u>492,062</u>	<u>185,457,378</u>	<u>11,932,001</u>

The federal government receivable represents funds to be received on federally-participating projects. Notes receivable represent loans to the cities of Bolivar, Hermann, and Warsaw. The majority of reimbursements receivable consist of cost reimbursements from political subdivisions.

(6) Long-term Debt

Type of Issue	Beginning Balance	Additions	Reductions	Ending Balance
Advances from other governments	\$ 1,864,386	1,833,237	1,291,500	2,406,123
Advances from component units	40,387,002	—	—	40,387,002
Certificates of participation	1,940,000	—	940,000	1,000,000
Federal Highway Administration loan	15,000,000	—	—	15,000,000
Capital leases	4,414,028	294,089	2,526,092	2,182,025
Compensated absences	<u>21,388,460</u>	<u>22,082,012</u>	<u>18,962,904</u>	<u>24,507,568</u>
	<u>\$ 84,993,876</u>	<u>24,209,338</u>	<u>23,720,496</u>	<u>85,482,718</u>

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The detail of long-term debt at June 30, 1999 follows:

Advances from other governments:

Advance agreement with the County of St. Charles to provide for the design of Route D in St. Charles County. Principal payment will occur on January 1, 2002; no interest will accrue	\$ 868,971
Advance agreement with the County of St. Charles to provide for the reconstruction of the I-70 and Route 94 interchange. Principal payment will occur on January 1, 2001; no interest will accrue	47,462
Advance agreement with Scott County Transit for the development of an industrial park at the intersection of Route H and HH. Principal payment will occur on September 1, 2002. Principal payment is payable in full; no interest will accrue	1,331,943
Advance agreement with the City of St. Robert, Missouri for the improvement of the Missouri Avenue intersections within the City of St. Robert. Principal payment will occur on March 29, 2000. Principal payment is payable in full; no interest will accrue.	10,285
Advance agreement with the City of St. Charles for the addition of a right exit lane on Route 94 in St. Charles. Principal payment will occur on January 1, 2000. Principal payment is payable in full; no interest will accrue	100,000
Advance agreement with the City of St. Charles for the reconstruction of the I-70 and Route 94 interchange. Principal payment will occur on January 1, 2001; no interest will accrue	<u>47,462</u>
	<u>\$ 2,406,123</u>

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Combined Financial Statements

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Advances from component units:

Advance agreement with MTFC for the construction of the Cape Girardeau Bridge in Cape Girardeau County. Principal payments begin on August 1, 1999 and conclude on August 1, 2003. Principal payments range from \$2,000,000 to \$7,000,000; interest at the average rate earned on the State Road Fund for the sixty days prior to the payment due date. (This rate as of June 30, 1999 equaled 4.95%)

\$ 28,000,000

Advance agreement with the Highway 179 Corporation for the construction of Highway 179. Principal payments begin August 1, 1999 and conclude August 1, 2008. Principal payments range from \$2,731,818 to \$3,905,736

20,387,002

\$ 48,387,002

Certificates of participation:

Series 1992 certificates of participation. Maturities conclude March 15, 2000. Principal payment in the amount of \$1,000,000 Interest rates from 4.9% to 8.9%

\$ 1,000,000

Federal Highway Administration loan:

An interest free loan with the Federal Highway Administration for \$15,000,000 for the extension of Page Avenue in St. Charles. Principal payment will occur as early as October 1, 2001. Principal is payable in full; no interest will accrue

\$ 15,000,000

Capital lease obligations:

1997 lease-purchase of computer equipment, due in monthly installments of \$315 to \$40,033 through July 2000; interest from 5.23% to 8.44%

\$ 1,001,051

1998 lease-purchase of computer equipment, due in monthly installments of \$294 to \$16,826 through May 2000; interest from 4.85% to 9.14%

849,394

1998 lease-purchase of Wildcat Roadpatcher, due in monthly installments of \$2,883 through July 2000; interest at 7.368%

35,937

1999 lease-purchase of computer equipment, due in monthly installments of \$535 to \$974 through June 2001; interest from 6.16% to 7.18%

295,643

\$ 2,182,025

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Combined Financial Statements

June 30, 1999

Annual debt service requirements to maturity:

<u>Fiscal Year</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Due</u>
Advances from other governments:			
2000	\$ 110,285	—	110,285
2001	94,924	—	94,924
2002	868,971	—	868,971
2003	<u>1,331,943</u>	<u>—</u>	<u>1,331,943</u>
	<u>\$ 2,406,123</u>	<u>—</u>	<u>2,406,123</u>
Advances from component units:			
2000	\$ 5,182,700	1,386,000	6,568,700
2001	9,731,818	1,287,000	11,018,818
2002	9,813,772	940,500	10,754,272
2003	9,898,185	594,000	10,492,185
2004	7,985,131	247,500	8,232,631
Thereafter	<u>16,769,070</u>	<u>—</u>	<u>16,769,070</u>
	<u>\$ 59,380,676</u>	<u>4,455,000</u>	<u>63,835,676</u>
Certificates of participation:			
2000	<u>\$ 1,000,000</u>	<u>70,000</u>	<u>1,070,000</u>
Capital leases:			
2000	\$ 1,675,008	92,490	1,767,498
2001	348,437	18,862	367,299
2002	155,620	5,668	161,288
2003	<u>2,960</u>	<u>22</u>	<u>2,982</u>
	<u>\$ 2,182,025</u>	<u>117,042</u>	<u>2,299,067</u>

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Combined Financial Statements

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(7) Fixed Assets

Changes in general fixed assets are summarized below (in thousands of dollars):

	Balances July 1, 1998	Additions	Deductions	Balances June 30, 1999
Fleet equipment	\$ 195,457	18,619	8,270	205,806
Tool and equipment	118,547	20,975	15,723	123,799
Tool and equipment – federal funded	2,453	585	144	2,894
Real estate – building	123,898	16,760	222	140,436
Real estate – land	18,916	157	240	18,833
Capital leases	4,414	294	2,526	2,182
Building in progress	<u>26,601</u>	<u>13,885</u>	<u>17,069</u>	<u>23,417</u>
Total	<u>\$ 490,286</u>	<u>71,275</u>	<u>44,194</u>	<u>517,367</u>

(8) Risk Management

Various lawsuits against the Department arise incident to the Department's normal operations. These include workers' compensation, vehicle liability, general liability, inverse condemnation, and contractor suits. It is the policy of the Department not to purchase commercial insurance, but to manage its risks internally by setting aside assets for the settlement of certain claims in its Internal Service Fund, the Self-Insurance Fund. The Self-Insurance Fund services claims for workers' compensation, vehicle liability, and general liability. Per Section 537.610, RSMo, the liability of the state and its public entities on claims within the scope of Sections 537.600 to 537.650 shall not exceed one million dollars for all claims arising out of a single accident or occurrence and shall not exceed one hundred thousand dollars for any one person in a single accident or occurrence, except for those claims governed by the provisions of the Missouri workers' compensation law, Chapter 287 RSMo.

Liabilities for incurred losses related to workers' compensation and general and vehicle liability claims are reported at their discounted value, assuming an investment yield of 7%.

Inverse condemnation and contractor suits are paid from the State Road Fund.

Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Estimated claims payable represents the Department's determination of the expected losses to be realized on known claims pending. Department personnel estimate the claims liability based on prior claims experience. Estimated unreported claims represent expected losses or claims incurred but not reported. The unreported claims liability is established from data provided by an actuary.

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Notes to Combined Financial Statements

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(9) **Defined Benefit Pension Plan**

Membership in the Highway and Transportation Employee's and Highway Patrol Retirement System (the Retirement System) was established, and is administered, by a Board of Trustees in accordance with the Revised Statutes of Missouri.

As it relates to the Department, the Retirement System is a cost-sharing multiemployer public employee retirement plan which provides retirement, death, and disability benefits to full-time (defined as at least 1,000 hours to be worked annually), with benefits vesting after five years of creditable service. Contributions to the Retirement System are 22.52% of covered payroll for regular wages and .08% for disability wages. The Department made the required contribution. Any amendments to the plan are established by the Retirement System Board of Trustees.

Employees do not contribute to the Retirement System. The Retirement System's funding policy provides for actuarially determined employer contributions using the entry-age normal cost method on a closed group basis (consisting of normal cost and amortization of any unfunded accrued liabilities over a forty-year period). Actuarially determined rates, expressed as percentages of annual covered payroll, provide for amounts sufficient to fund those benefits designated by State Statute to be funded in advance. Contributions for the special consultant fees are funded on an actuarial basis.

The Retirement System issues its own stand-alone financial report. Copies may be requested from:

The Highway and Transportation Employees' and
Highway Patrol Retirement System
1445 Christy Drive
Jefferson City, Missouri 65110

(10) **Commitments and Contingencies**

Unemployment Benefits

The Department is subject to the Missouri Employment Security Law. Department employees who qualify are entitled to benefit payments during periods of unemployment. The Department is required to reimburse the Employment Division for benefit payments made to its former employees. There appears to be no practical method of estimating the amount of future benefit payments which may be made to former employees for wage credits earned prior to June 30, 1999. Consequently, this potential obligation is not included in the accompanying combined financial statements. Total reimbursements made by the Department during the fiscal year were \$431,008.

Construction Commitments

Construction awards outstanding for both state and federal participating projects at June 30, 1999 amounted to approximately \$731,418,000. The federal portion of this total was approximately \$533,716,000 or 73%.

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Combined Financial Statements

June 30, 1999

Federal Funding

The Department receives federal grants which are subject to review and audit by federal grantor agencies. This could result in request for reimbursements to the grantor agency for any expenditures which are disallowed under grant terms. The Department believes that such disallowances, if any, would be immaterial.

Operating Leases

The Department is committed under leases for office equipment. Rental expenditures for the year ended June 30, 1999 amounted to \$1,629,094. Future minimum lease payments for these leases are as follows:

2000	\$ 733,528
2001	326,549
2002	198,126
2003	107,189
2004	<u>23,240</u>

Hancock Amendment

The Missouri Constitution bars the general assembly from imposing taxes which, together with all other revenues of the state, excluding federal funds, exceed a specified revenue limit. The revenue limit is calculated by dividing total state revenues by the personal income of Missouri in 1979 multiplied by the personal income of Missouri in either the calendar year prior to the calendar year in which appropriations for the fiscal year for which the calculation is being made or the average of personal income of Missouri in the previous three calendar years, whichever is greater.

During fiscal year 1999, refunds computed in accordance with this amendment for fiscal year 1997 of \$23,662,927, \$6,410,790, \$518,053, and \$19,754 were disbursed from the Motor Fuel Tax Fund, the State Highway and Transportation Department Special Revenue Fund, the State Road Capital Projects Fund, and the Aviation Special Revenue Fund, respectively. Had refunds not been made from the Motor Fuel Tax Fund, \$16,841,364 would have been deposited into the State Highways and Transportation Department Fund, \$6,821,563 would have been deposited into the State Road Fund, and the remaining \$2,273,853 would have been distributed to the various cities and counties.

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Combined Financial Statements

June 30, 1999

In the event total state revenues exceed the revenue limit by 1% or more excess revenues are refunded to taxpayers. At June 30, 1999, the Department had liabilities for refunds computed in accordance with this amendment for fiscal year 1998 recorded in the State Highway and Transportation Department Special Revenue Fund, the State Road Capital Projects Fund, the Aviation Trust Special Revenue Fund, and the State Transportation Assistance Revolving Special Revenue Fund of \$4,878,346, \$642,897, \$16,584, and \$1,785, respectively. Additionally, the state legislature of Missouri has appropriated \$23,988,897 in fiscal year 1998 refunds which will be disbursed from the Motor Fuel Tax Fund in fiscal year 2000. These refunds will reduce the revenues allocated to the Department by \$19,134,943 and various cities and counties by \$4,853,954.

No liability has been recorded for future refunds because any refunds are liabilities of the state until appropriated from the Department's funds.

MISSOURI DEPARTMENT OF TRANSPORTATION

Required Supplementary Information (Unaudited)

June 30, 1999

Year 2000 Project

The Year 2000 (Y2K) issue is the result of shortcomings in many electronic data processing systems and other electronic equipment which rely on programmable codes or hardware components that are not equipped to process dates after December 31, 1999. The issue arises because many computer systems, especially software programs, have been designed with a two digit date field for the year rather than four digits. These programs may interpret a date stored as '00' as the year 1900 instead of 2000.

The scope of the Department Y2K project covers all functions directly performed by the department, as well as relationships with outside vendors, contractors, government entities, public institutions, and other stakeholders with whom the Department exchanges information.

There are unique distinctions between Information Technology systems and embedded technology components within the operations of the Department's basic infrastructure. The Department's Y2K project distinguishes between activities in these two categories for the purpose of applying appropriate expertise to each one. Although work performed in each category is separate and unique, there is a joint report and a common inventory and remediation database for the department.

The Department has adopted a five-stage methodology to address the Y2K issue, consisting of the following phases:

Awareness Phase

The awareness phase educates department personnel and the public to the various issues surrounding Y2K at the Department. Presentations, newsletters, internal web pages, project updates, and other multimedia events are some of the ways this information is disseminated. The project plan is created during this phase, and major tasks and subtasks to complete the work on time are identified. The priority scheme that determines critical exposures is established and key terms are defined.

Inventory Phase

The inventory phase identifies systems and components potentially affected by the Y2K problem. The department established an initial list of systems and components which could be affected and similar lists were obtained from national web sites dedicated to solving Y2K issues. This phase includes investigation of paper inventories and a physical count for validation of the record.

Assessment Phase

The assessment phase performs a risk analysis by correlating the inventory list with the established set of priorities to determine the critical sequence for remediation. This phase also produces a remediation strategy that determines which components need remediation, those which are not critical enough to be addressed, and those which are not affected by Y2K.

Remediation Phase

The remediation phase performs the actual repair, replacement, or disposal of components based upon priorities assigned in the assessment phase. Test procedures, test scripts, and vendor validation are also tasks performed in this phase.

MISSOURI DEPARTMENT OF TRANSPORTATION

Required Supplementary Information (Unaudited)

June 30, 1999

Implementation Phase

This phase puts components which have been modified for Y2K compliance back into production status. Contingency plans for critical business operations are developed and reviewed with business units to ensure a backup mode of operation exists and that resources can be applied to the problem for a quick resolution.

Priorities

The department prioritized its business functions into a four-tiered scheme using a set of criteria that defines impact on safety, the department's mission, ability to conduct normal business, and other factors. Each computer system and embedded technology component was also prioritized according to a set of four criteria to address potential problems in the Department's systems and equipment. They are:

- *Priority 1* – Safety-related (e.g., traffic signals, roadway maintenance)
- *Priority 2* – Immediate loss or stoppage of essential business functions (e.g., employment, bid lettings, payrolls, bill payment, computer operations, communications, equipment maintenance, claims)
- *Priority 3* – Eventual loss or stoppage of business (e.g., heating, elevators, security, laboratory)
- *Priority 4* – Non-critical impact (e.g., copiers, microwaves, VCR's, electric wall clocks)

Remediation work focused on the highest priorities first and contingency plans were developed for the highest-tiered business functions.

Resources Committed

As of October 12, 1999, in the information technology portion of the project, the awareness phase was 100% complete, the inventory stage was 100% complete, the assessment phase was 100% complete, the remediation phase was 98% complete, and the implementation phase was 94% complete. In the embedded technology portion, the awareness phase was 100% complete, the inventory stage was 100% complete, the assessment phase was 100% complete, the remediation phase was 100% complete, and the implementation phase was 93% complete.

An internal staff commitment of more than 33,000 hours is dedicated to the Y2K project, and \$2.1million in outside consultant resources is being expended to complete the plan.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

The supplemental financial presentation contains data beyond what is included in the combined financial statements. These data are presented to provide additional financial information in order to better inform the users of the combined financial statements.

GENERAL FUND

The Department receives appropriations from the State's General Fund for federal funds advanced or reimbursed and funds used to initially fund or provide matching funds or support for programs paid wholly or partially from other sources.

MISSOURI DEPARTMENT OF TRANSPORTATION

Schedule 1

General Fund

Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual

For the Year Ended June 30, 1999

	<u>House Bill Number</u>	<u>Appropriations Number</u>	<u>Budget</u>	<u>Actual</u>
Revenues:				
Appropriations			\$ 15,058,925	12,307,752
Federal			24,844,177	28,055,413
Local match			<u>2,224,198</u>	<u>2,224,198</u>
Total revenues			<u>42,127,300</u>	<u>42,587,363</u>
Expenditures:				
Personal service	4.230	8899	628,042	609,196
	4.230	8901	386,601	301,196
Expense and equipment	4.230	8900	46,396	35,919
	4.230	8902	650,000	130,365
Reimbursement to Highway Fund for professional and technical services provided	4.235	4629	47,510	47,510
	4.235	4272	65,000	60,339
Section 5309 grants	4.288	4408	262,500	—
	21.040	4114	62,500	16,474
	21.040	4115	562,500	148,270
	4.270	1316	12,500,000	11,209,077
Section 5307 grants	4.260	4263	2,959,077	2,242,793
Section 5303 grants	4.275	0437	695,407	582,382
Section 5310 grants	4.250	8493	1,317,527	1,181,894
Section 5311 grants	4.265	8726	3,163,393	2,858,685
Feasibility study of commuter rail	4.277	4407	150,001	133,646
Section 5 rail grants	4.276	5306	375,000	325,150
Aviation state block grants	4.295	8905	11,000,000	9,866,844
Transit program subsidy	4.255	1765	2,943,732	2,413,744
Amtrak rail passenger service program	4.280	4265	3,750,000	3,637,500
Amtrak promotional costs	4.285	2755	150,000	130,596
Amtrak station repairs and improvements	21.030	3686	145,500	25,000
Waterways program	4.300	3438	444,987	355,798
	4.305	4409	600,000	468,707
	20.112	4412	350,000	—
Aviation capital improvements	4.290	4405	642,444	311,650
	21.035	3687	623,171	623,171
	15.368	2756	110,712	110,712
Mississippi River Parkway Commission	4.225	3683	22,500	22,498
Expansion of Vivion Road	18.150	3696	287,788	155,398
Holt, Missouri bridge	20.110	4410	400,000	19,091
Improvements to Highway 63 and 32 at Licking	20.111	4411	200,000	—
Missouri Department of Transportation (the Department) fringe benefits			152,477	152,477
Expenditures in 1999 charged to 1998 appropriations			<u>4,190,626</u>	<u>4,190,626</u>
Total expenditures			<u>49,885,391</u>	<u>42,366,708</u>
Excess of revenues over (under) expenditures			\$ <u>(7,758,091)</u>	220,655
Fund balance, beginning of year				<u>385,716</u>
Fund balance, end of year				\$ <u><u>606,371</u></u>

See accompanying independent auditors' report.

SPECIAL REVENUE FUNDS

Special Revenue Funds account for revenue sources that are legally restricted to expenditure for specific purposes.

State Highway and Transportation Department Fund – This fund is constitutionally established to receive revenues derived from the use of state highways. This fund pays the costs incurred to collect that revenue, to administer the Highway and Transportation Commission and the Department of Transportation, and to provide other related functions.

State Transportation Trust Fund – This fund is constitutionally established to receive 1% of one-half of the 3% state sales tax on all motor vehicles. As provided by Section 226.225, RSMo, appropriations from this fund authorize the disbursements for transportation purposes other than road and highway construction and maintenance.

Aviation Trust Fund – This fund is established by Section 155.090, RSMo., to account for a use tax on aviation fuels. As provided by Section 305.230, RSMo., appropriations from this fund authorize disbursements for various aviation maintenance, safety, and airport planning projects.

State Transportation Assistance Revolving Fund – This fund is established by Section 226.191, RSMo., to assist in the planning, acquisition, development, and construction of transportation facilities other than highways in Missouri to be funded with state appropriations, contributions, federal monies, and other public and private sources.

MISSOURI DEPARTMENT OF TRANSPORTATION

Combining Balance Sheet – All Special Revenue Funds

June 30, 1999

Assets	State Highway and Transportation Department	State Transportation Trust	Aviation Trust	State Transportation Assistance Revolving	Totals
Pooled cash and investments	\$ 13,286,247	2,842,694	2,899,035	1,566,262	20,594,238
Receivables:					
Taxes	91,066,237	116,488	—	—	91,182,725
Interest	511,720	468	19,373	15,447	547,008
Notes	—	—	—	566,675	566,675
Due from Missouri Transportation Finance Corporation	—	—	—	400,000	400,000
Total assets	<u>\$ 104,864,204</u>	<u>2,959,650</u>	<u>2,918,408</u>	<u>2,548,384</u>	<u>113,290,646</u>
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ 5,117,971	2,319,803	—	—	7,437,774
Article X Hancock refunds	4,878,346	—	16,584	1,785	4,896,715
Compensated absences	<u>4,195,030</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,195,030</u>
Total liabilities	14,191,347	2,319,803	16,584	1,785	16,529,519
Fund equity – fund balance	<u>90,672,857</u>	<u>639,847</u>	<u>2,901,824</u>	<u>2,546,599</u>	<u>96,761,127</u>
Total liabilities and fund equity	<u>\$ 104,864,204</u>	<u>2,959,650</u>	<u>2,918,408</u>	<u>2,548,384</u>	<u>113,290,646</u>

See accompanying independent auditors' report.

Schedule 3

MISSOURI DEPARTMENT OF TRANSPORTATION

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –
All Special Revenue Funds

For the Year Ended June 30, 1999

	State Highway and Transportation Department	State Transportation Trust	Aviation Trust	State Transportation Assistance Revolving	Totals
Revenues:					
Fuel taxes	\$ 456,274,990	—	2,947,913	—	459,222,903
Licenses, fees, and permits	155,538,227	—	—	—	155,538,227
Vehicles sales and use taxes	36,432,804	1,137,601	—	—	37,570,405
Investment and interest	3,349,631	2,524	53,610	55,518	3,461,283
Incidentals	692,487	—	—	—	692,487
Appropriations	—	8,367,977	—	—	8,367,977
Total revenues	<u>652,288,139</u>	<u>9,508,102</u>	<u>3,001,523</u>	<u>55,518</u>	<u>664,853,282</u>
Expenditures:					
Administration	16,093,848	—	—	—	16,093,848
Highway construction	92,649,921	—	—	—	92,649,921
Maintenance	108,598,930	—	—	—	108,598,930
Multimodal	10,307	9,341,257	488,641	—	9,840,205
Miscellaneous expense	14,942	—	—	—	14,942
Capital outlay	691,026	—	—	—	691,026
Fleet expense – operational cost	443	—	—	—	443
State contributions	71,069,919	957	—	—	71,070,876
OASDHI – employer's match	15,964,301	251	—	—	15,964,552
Hancock refund	4,878,346	—	16,584	1,785	4,896,715
Other governmental expenditures	<u>166,842,963</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>166,842,963</u>
Total expenditures	<u>476,814,946</u>	<u>9,342,465</u>	<u>505,225</u>	<u>1,785</u>	<u>486,664,421</u>
Excess of revenues over expenditures	175,473,193	165,637	2,496,298	53,733	178,188,861
Other financing uses – operating transfers out	<u>(167,334,122)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(167,334,122)</u>
Excess revenues over expenditures and other uses	8,139,071	165,637	2,496,298	53,733	10,854,739
Fund balance, beginning of year	<u>82,533,786</u>	<u>474,210</u>	<u>405,526</u>	<u>2,492,866</u>	<u>85,906,388</u>
Fund balance, end of year	<u>\$ 90,672,857</u>	<u>639,847</u>	<u>2,901,824</u>	<u>2,546,599</u>	<u>96,761,127</u>

See accompanying independent auditors' report

Schedule 4

MISSOURI DEPARTMENT OF TRANSPORTATION

State Highway and Transportation Department Fund

Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual

For the Year Ended June 30, 1999

	<u>House Bill Number</u>	<u>Appropriation Number</u>	<u>Budget</u>	<u>Actual</u>
Revenues:				
Fuel taxes			\$ 486,727,000	452,998,990
Licenses, fees, and permits			150,386,000	153,668,202
Vehicle sales and use taxes			37,835,000	36,433,686
Interest			2,220,000	2,945,266
Incidentals			<u>9,192,000</u>	<u>2,763,579</u>
Total revenues			<u>686,360,000</u>	<u>648,809,723</u>
Expenditures:				
Personal service	4.200	6337	20,129,420	16,867,183
	4.205	4413	5,986,031	3,740,234
	4.205	4393	33,990,250	23,465,806
	4.205	4395	26,659,020	20,306,531
	4.210	4397	105,154,516	100,523,290
	4.210	4398	8,067,001	5,421,641
	4.215	4401	91,928,439	90,448,009
Expense and equipment	4.200	6338	1,759,637	1,759,635
	4.205	4414	2,860,924	2,589,067
	4.205	4394	12,815,322	11,612,752
	4.205	4396	6,283,470	5,615,967
Design of new office and garage facility	15.106	1076	356,800	356,800
Design of headquarters offices	15.104	0314	565,600	—
District 5 design and renovations	15.112	0844	28,753	16,019
District 4 building	15.112	0834	947,173	304,664
Lee's Summit district office building	18.145	3692	4,827,879	58,864
Macon district office building	18.145	3693	2,748,242	398,603
Sikeston district office building	18.145	3694	412,448	—
	18.145	3695	4,765,759	—
District 4 office building	15.110	1472	2,337,256	1,072,203
Article X Hancock refunds	4.035		6,410,790	6,410,790
The Department fringe benefit transfers			16,281,884	16,281,884
Appropriations spent by other state agencies			178,172,524	160,839,665
Expenditures in 1999 charged to 1998 appropriations			<u>6,774,818</u>	<u>6,774,818</u>
Total expenditures			<u>540,263,956</u>	<u>474,864,425</u>
Excess of revenues over expenditures			\$ <u>146,096,044</u>	173,945,298
Other financing uses – operating transfers to other funds				<u>(167,334,122)</u>
Excess of revenues over expenditures and other uses				6,611,176
Fund balance, beginning of year				<u>6,054,885</u>
Fund balance, end of year			\$	<u>12,666,061</u>

See accompanying independent auditors' report.

Schedule 5

MISSOURI DEPARTMENT OF TRANSPORTATION

State Transportation Trust Fund

Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual

For the Year Ended June 30, 1999

	<u>House Bill Number</u>	<u>Appropriation Number</u>	<u>Budget</u>	<u>Actual</u>
Revenues:				
Appropriations			\$ 10,245,875	10,245,875
Vehicle sales tax			<u>1,046,367</u>	<u>1,116,471</u>
Total revenues			<u>11,292,242</u>	<u>11,362,346</u>
Expenditures:				
Multimodal operations				
administration personal service	4.230	9939	41,636	3,284
Reimbursement to the Road Fund				
for professional and technical services	4.235	0436	29,731	27,805
Transit program distributions	4.247	2754	8,367,977	6,050,282
Amtrak Rail Passenger Service Program	4.280	4267	950,000	931,148
Amtrak station improvements				
and promotional costs	4.285	9940	25,000	9,146
Appropriations spent by other				
state agencies			1,028	1,028
Expenditures in 1999 charged to 1998				
appropriations			<u>2,257,366</u>	<u>2,257,366</u>
Total expenditures			<u>11,672,738</u>	<u>9,280,059</u>
Excess of revenues over				
(under) expenditures			\$ <u><u>(380,496)</u></u>	<u>2,082,287</u>
Fund balance, beginning of year				<u>760,407</u>
Fund balance, end of year				\$ <u><u>2,842,694</u></u>

See accompanying independent auditors' report.

Schedule 6

MISSOURI DEPARTMENT OF TRANSPORTATION

Aviation Trust Fund

Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual

For the Year Ended June 30, 1999

	<u>House Bill Number</u>	<u>Appropriations Number</u>	<u>Budget</u>	<u>Actual</u>
Revenues:				
Fuel taxes			\$ 747,801	2,945,539
Interest			<u>39,855</u>	<u>39,855</u>
Total revenues			<u>787,656</u>	<u>2,985,394</u>
Expenditures:				
Aviation program	21.035	2757	297,801	297,801
	4.290	4406	450,000	188,751
Article X Hancock refunds	4.035		<u>19,754</u>	<u>19,754</u>
Total expenditures			<u>767,555</u>	<u>506,306</u>
Excess of revenues over expenditures			\$ <u>20,101</u>	2,479,088
Fund balance, beginning of year				<u>419,948</u>
Fund balance, end of year				\$ <u>2,899,036</u>

See accompanying independent auditors' report.

Schedule 7

MISSOURI DEPARTMENT OF TRANSPORTATION

State Transportation Assistance Revolving Fund

Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual

For the Year Ended June 30, 1999

	<u>House Bill Number</u>	<u>Appropriation Number</u>	<u>Budget</u>	<u>Actual</u>
Revenues:				
Principal and interest on STAR fund loans			\$ 1,767,710	1,767,710
Interest			<u>23,333</u>	<u>23,333</u>
Total revenues			1,791,043	1,791,043
Expenditures – STAR fund loan disbursement	4.240	4404	<u>1,715,000</u>	<u>300,000</u>
Excess of revenues over expenditures			\$ <u>76,043</u>	<u>1,491,043</u>
Fund balance, beginning of year				<u>75,218</u>
Fund balance, end of year				\$ <u>1,566,261</u>

See accompanying independent auditors' report.

CAPITAL PROJECTS FUNDS

Capital Projects Funds account for resources used for the acquisition and/or construction of capital projects not being financed by other funds.

State Road Fund – This fund is constitutionally established to receive monies from the motor vehicle sales tax, the federal government, and transfers from the State Highway and Transportation Department Fund and the State's Motor Fuel Tax Fund, and any other revenues held by the Department not required to be in another fund. Appropriated disbursements consist of costs incurred to construct, improve, and maintain the state highway system.

Third State Building Trust Fund – Appropriations from this fund include certain Department capital improvement projects.

Schedule 8

MISSOURI DEPARTMENT OF TRANSPORTATION

Combining Balance Sheet – All Capital Projects Funds

June 30, 1999

Assets	State Road	Third State Building Trust	Totals
Cash	\$ 67,826,269	—	67,826,269
Receivables:			
Federal government	29,402,799	—	29,402,799
Taxes	19,468,033	—	19,468,033
Fees	6,194,898	—	6,194,898
Reimbursements	30,467,274	—	30,467,274
Interest	2,043,618	—	2,043,618
Property damage	2,481,939	—	2,481,939
Due from other funds	1,964,171	—	1,964,171
Inventories	37,121,381	—	37,121,381
Restricted assets	<u>25,787,526</u>	<u>—</u>	<u>25,787,526</u>
Total assets	<u>\$ 222,757,908</u>	<u>—</u>	<u>222,757,908</u>
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ 62,739,257	—	62,739,257
Retainages payable	20,817,092	—	20,817,092
Deferred revenue	50,666,863	—	50,666,863
Article X Hancock refunds	<u>642,897</u>	<u>—</u>	<u>642,897</u>
Total liabilities	<u>134,866,109</u>	<u>—</u>	<u>134,866,109</u>
Fund equity:			
Fund balance:			
Reserved for inventories	37,121,381	—	37,121,381
Unreserved	<u>50,770,418</u>	<u>—</u>	<u>50,770,418</u>
Total fund equity	<u>87,891,799</u>	<u>—</u>	<u>87,891,799</u>
Total liabilities and fund equity	<u>\$ 222,757,908</u>	<u>—</u>	<u>222,757,908</u>

See accompanying independent auditors' report.

Schedule 9

MISSOURI DEPARTMENT OF TRANSPORTATION

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
All Capital Project Funds

For the Year Ended June 30, 1999

	State Road Fund	Third State Building Trust	Totals
Revenues:			
Fuel taxes	\$ 269,112	—	269,112
Licenses, fees, and permits	88,389,862	—	88,389,862
Vehicles sales and use taxes	117,045,772	—	117,045,772
Interest	5,883,484	—	5,883,484
Incidentals	47,455,271	—	47,455,271
Appropriations	—	221,349	221,349
Federal Highway Administrator	<u>438,682,563</u>	<u>—</u>	<u>438,682,563</u>
Total revenues	<u>697,726,064</u>	<u>221,349</u>	<u>697,947,413</u>
Expenditures:			
Administration	19,841,069	—	19,841,069
Highway construction	704,031,163	—	704,031,163
Maintenance	91,762,957	—	91,762,957
Logo	1,253,880	—	1,253,880
Third State Building Fund	75,027	221,349	296,376
Mississippi River Parkway Commission	2,876	—	2,876
Contractual agreement interest expense	1,516,160	—	1,516,160
Miscellaneous expense	8,922,619	—	8,922,619
Capital outlay	47,369,596	—	47,369,596
Fleet expense – operational cost	15,319,903	—	15,319,903
State contributions	44,838	—	44,838
OASDHI – employer's match	9,137	—	9,137
Hancock refund	642,897	—	642,897
Other governmental expenditures	<u>466</u>	<u>—</u>	<u>466</u>
Total expenditures	<u>890,792,588</u>	<u>221,349</u>	<u>891,013,937</u>
Excess of revenues under expenditures	<u>(193,066,524)</u>	<u>—</u>	<u>(193,066,524)</u>
Other financing sources (uses):			
Loan proceeds	16,227,609	—	16,227,609
Operating transfers in	<u>167,334,122</u>	<u>—</u>	<u>167,334,122</u>
Total other financing sources	<u>183,561,731</u>	<u>—</u>	<u>183,561,731</u>
Excess expenditures and other uses under revenues and other sources	(9,504,793)	—	(9,504,793)
Fund balance, beginning of year	<u>97,396,592</u>	<u>—</u>	<u>97,396,592</u>
Fund balance, end of year	<u>\$ 87,891,799</u>	<u>—</u>	<u>87,891,799</u>

See accompanying independent auditors' report.

Schedule 10

MISSOURI DEPARTMENT OF TRANSPORTATION

State Road Fund

Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual

For the Year Ended June 30, 1999

	<u>House Bill Number</u>	<u>Appropriation Number</u>	<u>Budget</u>	<u>Actual</u>
Revenues:				
Fuel taxes			\$ 273,000	271,870
Licenses, fees, and permits			81,614,000	81,989,783
Vehicle sales and use taxes			119,165,000	115,743,772
Interest			3,780,000	6,187,031
Incidentals			25,108,000	47,531,832
Federal Highway Administrator			<u>612,993,000</u>	<u>441,280,100</u>
Total revenues			<u>842,933,000</u>	<u>693,004,388</u>
Expenditures:				
Personal service	4.230	8903	151,069	151,055
Expense and equipment	4.210	4399	72,581,178	62,950,903
	4.215	4402	80,157,052	73,177,669
	4.230	8904	15,000	11,252
Maintenance	4.210	4400	75,600,053	59,243,569
Construction	4.215	4403	687,000,000	661,109,821
Transportation Enhancement Program	4.220	1819	8,200,000	5,722,710
Article X Hancock refunds	4.035		518,053	518,053
The Department fringe benefits			1,253,227	1,253,227
Expenditures in 1999 charged to 1998 appropriations			<u>10,433,849</u>	<u>10,433,849</u>
Total expenditures			<u>935,909,481</u>	<u>874,572,108</u>
Excess of revenues under expenditures			\$ <u>(92,976,481)</u>	<u>(181,567,720)</u>
Other financing sources:				
Proceeds from innovative financing				3,883,913
Operating transfers from other funds				<u>167,334,122</u>
Total other financing sources				<u>171,218,035</u>
Excess of expenditures and other uses under revenues and other sources				(10,349,685)
Fund balance, beginning of year				<u>99,589,802</u>
Fund balance, end of year				\$ <u><u>89,240,117</u></u>

See accompanying independent auditors' report.

Schedule 11

MISSOURI DEPARTMENT OF TRANSPORTATION

Third State Building Trust Fund

Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual

For the Year Ended June 30, 1999

	<u>House Bill Number</u>	<u>Appropriation Number</u>	<u>Budget</u>	<u>Actual</u>
Revenues – appropriations			\$ <u>417,381</u>	<u>221,348</u>
Expenditures:				
Highway purposes	18.140	3690	85,547	85,547
Nonhighway purposes	18.140	3691	1	—
South Riverfront Expressway	16.062	8294	97,240	97,240
	16.060	9146	54,593	38,561
Intersection of Route 291 and Route 150	16.032	9142	<u>180,000</u>	<u>—</u>
Total expenditures			<u>417,381</u>	<u>221,348</u>
Revenues over expenditures			\$ <u>—</u>	<u>—</u>
Fund balance, beginning of year				<u>—</u>
Fund balance, end of year				\$ <u>—</u>

See accompanying independent auditors' report.

INTERNAL SERVICE FUNDS

Highway Employees' and Highway Patrol Insurance Plan Fund – This fund accounts for the medical coverage provided on a self-insured basis and death to Department of Transportation employees and members of the Missouri State Highway Patrol. Changes to the plan are required to be approved by the Missouri Highway and Transportation Commission.

Self-Insurance Fund – This fund accounts for highway and highway patrol monies used to pay workers' compensation claims. Monies are also used to pay automobile and general liability claims against the Department. Under RSMo. Chapter 287, the Department is required to establish an escrow agreement in the amount of \$200,000 to operate as a self-insurer. The Department is in compliance with this requirement and maintains contributed capital in the amount of \$210,000 in an escrow account funded by a contribution from the State Highway and Transportation Department Fund.

Schedule 12

MISSOURI DEPARTMENT OF TRANSPORTATION

Combining Balance Sheet – All Internal Service Funds

June 30, 1999

Assets	Highway Employees' and Highway Patrol Insurance Plan	Self- Insurance	Totals
Cash and investment	\$ 1,665,647	22,228,802	23,894,449
Receivables:			
Interest	—	271,165	271,165
Contributions	112,348	—	112,348
Other	108,549	—	108,549
Total assets	<u>\$ 1,886,544</u>	<u>22,499,967</u>	<u>24,386,511</u>
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ 6,005,655	23,303,332	29,308,987
Deferred revenue	1,335,546	—	1,335,546
Total liabilities	<u>7,341,201</u>	<u>23,303,332</u>	<u>30,644,533</u>
Fund equity:			
Contributed capital	—	210,000	210,000
Retained earnings	(5,454,657)	(1,013,365)	(6,468,022)
Total fund equity	<u>(5,454,657)</u>	<u>(803,365)</u>	<u>(6,258,022)</u>
Total liabilities and fund equity	<u>\$ 1,886,544</u>	<u>22,499,967</u>	<u>24,386,511</u>

See accompanying independent auditors' report.

MISSOURI DEPARTMENT OF TRANSPORTATION

Combining Statement of Revenues, Expenses, and Changes
in Retained Earnings – All Internal Service Funds

For the Year Ended June 30, 1999

	Highway Employees' and Highway Patrol Insurance Plan	Self- Insurance	Totals
Operating revenues:			
Insurance premiums:			
Highway workers' compensation	\$ —	5,125,230	5,125,230
Highway patrol workers' compensation	—	817,889	817,889
Highway automobile liability	—	1,135,508	1,135,508
Contributions:			
State	22,009,251	—	22,009,251
Member	14,391,154	—	14,391,154
Other	<u>52,131</u>	<u>199,220</u>	<u>251,351</u>
Total operating revenues	<u>36,452,536</u>	<u>7,277,847</u>	<u>43,730,383</u>
Operating expenses:			
Program	—	889,857	889,857
Self-insurance claims:			
Highway workers' compensation	—	5,645,053	5,645,053
Highway patrol workers' compensation	—	1,684,522	1,684,522
Highway automobile liability	—	1,120,552	1,120,552
Highway general liability	—	2,500,769	2,500,769
Medical and life:			
Insurance premium	5,766,243	—	5,766,243
Claims	31,227,286	—	31,227,286
Administrative service	1,682,539	—	1,682,539
Prescription drugs	8,451,389	—	8,451,389
Professional fees	49,958	—	49,958
Other	<u>31,513</u>	<u>—</u>	<u>31,513</u>
Total operating expenses	<u>47,208,928</u>	<u>11,840,753</u>	<u>59,049,681</u>
Operating loss	<u>(10,756,392)</u>	<u>(4,562,906)</u>	<u>(15,319,298)</u>
Nonoperating revenues:			
Interest income	170,293	1,301,681	1,471,974
Net increase (decrease) in fair value of investments	<u>182,379</u>	<u>(201,587)</u>	<u>(19,208)</u>
Total nonoperating revenues	<u>352,672</u>	<u>1,100,094</u>	<u>1,452,766</u>
Net loss	(10,403,720)	(3,462,812)	(13,866,532)
Retained earnings at beginning of year	<u>4,949,063</u>	<u>2,449,447</u>	<u>7,398,510</u>
Retained deficit at end of year	<u><u>\$ (5,454,657)</u></u>	<u><u>(1,013,365)</u></u>	<u><u>(6,468,022)</u></u>

See accompanying independent auditors' report

Schedule 14

MISSOURI DEPARTMENT OF TRANSPORTATION

Combining Statement of Cash Flows – All Internal Service Funds

For the Year Ended June 30, 1999

	Highway Employees' and Highway Patrol Insurance Plan	Self- Insurance	Totals
Cash flows from operating activities:			
Operating loss	\$ (10,756,392)	(4,562,906)	(15,319,298)
Adjustments to reconcile operating loss to net cash (used in) provided by operating loss activities:			
Increase in accounts payable	648,022	2,070,987	2,719,009
Increase in other receivables	(108,549)	—	(108,549)
Increase in contributions receivable	(59,671)	—	(59,671)
Increase in deferred revenue	<u>167,048</u>	<u>—</u>	<u>167,048</u>
Net cash used in operating activities	<u>(10,109,542)</u>	<u>(2,491,919)</u>	<u>(12,601,461)</u>
Cash flows from investing activities:			
Sale of investments	9,974,639	23,601,175	33,575,814
Purchase of investments	(10,085,119)	(23,802,762)	(33,887,881)
Interest on investments	<u>170,293</u>	<u>1,363,227</u>	<u>1,533,520</u>
Net cash provided by investing activities	<u>59,813</u>	<u>1,161,640</u>	<u>1,221,453</u>
Net decrease in cash and cash equivalents	(10,049,729)	(1,330,279)	(11,380,008)
Cash and cash equivalents at beginning of year	<u>11,715,376</u>	<u>23,559,081</u>	<u>35,274,457</u>
Cash and cash equivalents at end of year	<u>\$ 1,665,647</u>	<u>22,228,802</u>	<u>23,894,449</u>
Repurchase agreements	<u>\$ 1,665,647</u>	<u>22,228,802</u>	<u>23,894,449</u>

See accompanying independent auditors' report.

AGENCY FUNDS

Local Fund – This fund accounts for money received by the Department from various political subdivisions and other interested parties, which is segregated in its own bank account and used to reimburse Department funds for expenditures incurred by the Department on behalf of the political subdivision or other interested party.

MISSOURI DEPARTMENT OF TRANSPORTATION

Statement of Changes in Assets and Liabilities – Agency Fund

For the Year Ended June 30, 1999

	Balance			Balance
	<u>July 1, 1998</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 1999</u>
Assets – restricted assets	\$ <u>—</u>	<u>46,148,481</u>	<u>(11,859,561)</u>	<u>34,288,920</u>
Liabilities:				
Due to other funds	\$ —	11,859,561	(10,610,612)	1,248,949
Advances from other governments	<u>—</u>	<u>34,288,920</u>	<u>(1,248,949)</u>	<u>33,039,971</u>
Total liabilities	\$ <u>—</u>	<u>46,148,481</u>	<u>(11,859,561)</u>	<u>34,288,920</u>

See accompanying independent auditors' report.

SCHEDULE OF REVENUES AND EXPENDITURES BY SOURCE

These data are presented to provide financial information to comply with RSMo. 21.795.2(1)(c).

MISSOURI DEPARTMENT OF TRANSPORTATION

FY99 Appropriations and Expenditures – RSMo. 21.795.2.(1)(c)
Combined Schedule of Receipts, Disbursements, and Other Sources (Uses)
State Highways and Transportation Department Fund and State Road Fund
Planned and Actual – Cash Basis

For the Fiscal Year Ended June 30, 1999
(Amounts in Thousands)

	State Highways and Transportation Department Fund			State Road Fund		
	Planned	Actual	Variance Favorable (Unfavorable)	Planned	Actual	Variance Favorable (Unfavorable)
Receipts:						
Motor fuel tax receipts	\$ 530,727	495,316	(35,411)	273	272	(1)
Less refunds	<u>(44,000)</u>	<u>(42,317)</u>	<u>1,683</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net motor fuel	486,727	452,999	(33,728)	273	272	(1)
Licenses, fees, and permits	150,386	153,668	3,282	81,614	81,990	376
Sales and use tax	37,835	36,434	(1,401)	119,165	115,744	(3,421)
Interest	2,220	2,945	725	3,780	6,187	2,407
Incidentals	<u>9,192</u>	<u>2,764</u>	<u>(6,428)</u>	<u>25,108</u>	<u>51,416</u>	<u>26,308</u>
Total state funds	686,360	648,810	(37,550)	229,940	255,609	25,669
Federal Highway Administration	<u>—</u>	<u>—</u>	<u>—</u>	<u>612,993</u>	<u>441,280</u>	<u>(171,713)</u>
Total receipts	<u>686,360</u>	<u>648,810</u>	<u>(37,550)</u>	<u>842,933</u>	<u>696,889</u>	<u>(146,044)</u>
Disbursements:						
Administration	32,583	26,538	6,045	—	—	—
Maintenance	169,482	151,459	18,023	148,181	127,635	20,546
Construction:						
Contracts	—	—	—	637,316	566,164	71,152
ROW purchases	—	—	—	99,501	101,716	(2,215)
Preliminary and construction engineering	<u>128,298</u>	<u>123,618</u>	<u>4,680</u>	<u>67,157</u>	<u>77,289</u>	<u>(10,132)</u>
Total construction	<u>128,298</u>	<u>123,618</u>	<u>4,680</u>	<u>803,974</u>	<u>745,169</u>	<u>58,805</u>
Article X Hancock refunds	30,623	6,411	24,212	—	518	(518)
Transfers to other state agencies	<u>179,700</u>	<u>166,840</u>	<u>12,860</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total disbursements	<u>540,686</u>	<u>474,866</u>	<u>65,820</u>	<u>952,155</u>	<u>873,322</u>	<u>78,833</u>
Excess (deficiency) of receipts over disbursements	<u>145,674</u>	<u>173,944</u>	<u>28,270</u>	<u>(109,222)</u>	<u>(176,433)</u>	<u>(67,211)</u>
Other sources (uses):						
Operating transfers in	—	—	—	150,000	167,334	17,334
Operating transfers out	(150,000)	(167,334)	(17,334)	—	—	—
Financing receipts in	—	—	—	—	—	—
Financing payments out	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,519)</u>	<u>(1,250)</u>	<u>269</u>
Total other sources (uses)	<u>(150,000)</u>	<u>(167,334)</u>	<u>(17,334)</u>	<u>148,481</u>	<u>166,084</u>	<u>17,603</u>
Excess (deficiency) of receipts and other sources over disbursements and other uses	<u>\$ (4,326)</u>	<u>6,610</u>	<u>10,936</u>	<u>39,259</u>	<u>(10,349)</u>	<u>(49,608)</u>

See accompanying independent auditors' report.